

Message Text

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TAGS: OECD, ECON, SZ

SUBJECT: OECD ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE
(EDRC) REVIEW OF SWITZERLAND

1. AGREE WITH POINTS RAISED BY MISSION TO BE USED IN
REVIEW AND REQUEST THAT MISSION REP ALSO USE QUESTIONS
SUGGESTED BELOW.

2. GIVEN CURRENT ACCOUNT POSITION, LOW INFLATION, UNEMPLOY-
MENT AND GROWTH PROSPECTS, DO SWISS FEEL THEY COULD BE IN
POSITION TO PURSUE MORE EXPANSIONARY POLICY IN ORDER
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CONTRIBUTE TO BALANCED RECOVERY IN OECD AREA?

3. IN DISCUSSING THE NEED FOR AN EXPANSIONARY POLICY, WHAT
ARE THE SECRETARIAT'S UNDERLYING ASSUMPTIONS ABOUT GAP BE-
TWEEN POTENTIAL AND ACTUAL GNP? TO THE EXTENT THAT LABOR
FORCE HAS DECLINED SUBSTANTIALLY, LOW UNEMPLOYMENT EXISTS
AND EXCESS CAPACITY IS LOCATED IN QTE WRONG SECTORS UNQTE,

THE SWISS ECONOMY MAY BE CLOSE TO POTENTIAL GNP EVEN IF OUTPUT IS 8 PERCENT BELOW 1974 LEVEL. IN THIS CASE, A CAUTIOUS MACROECONOMIC POLICY STANCE IS QUITE JUSTIFIED ALONG WITH APPROPRIATE MICROECONOMIC POLICIES TO EASE STRUCTURAL ADJUSTMENTS.

4. ALONG THESE LINES, GIVEN 1976 REAL GNP GROWTH OF 0.5 PERCENT AND PROJECTED 1977 GROWTH OF 1.5 PERCENT, QUESTION ARISES IF SWITZERLAND IS BEGINNING TO DEVELOP ZERO-GROWTH STRATEGY. THIS POSSIBILITY MAY BE WORTHY OF SOME SPECULATION. IF THIS IS NOT CASE AND SWITZERLAND HAS PLANS TO PURSUE GREATER FUTURE GROWTH, IT WOULD SEEM APPROPRIATE FOR GOS TO DEVELOP FORWARD-LOOKING LABOR POLICY IN REGARD TO PLANS FOR EMPLOYMENT OF FOREIGN WORKERS, PARTICULARLY WITH REGARD TO CREATION OF STABLE ENVIRONMENT. PURPOSE WOULD BE TO AVOID AS MUCH AS POSSIBLE FLUCTUATIONS WHICH RESULTED IN 200,000 FOREIGN WORKERS LEAVING COUNTRY IN 1975-1976, AND AVOIDANCE OF ECONOMIC AND POLITICAL TENSIONS THIS CREATES IN WORKERS' HOME COUNTRIES AND IN THEIR BILATERAL RELATIONS WITH SWITZERLAND.

5. WOULD BE USEFUL, GIVEN DIVERGENCES IN SECRETARIAT, SWISS AND EMBASSY BERN ESTIMATES, TO HAVE CONSENSUS REACHED ON TRADE AND CURRENT ACCOUNT ESTIMATE FOR 1977. DOES METHOD OF CALCULATION ACCOUNT FOR DIFFERENCE?

6. GIVEN PROBLEMS WITH EXPORTS, IS GOS CONTEMPLATING ANY SPECIAL ASSISTANCE FOR EXPORTERS AND EXPORT INDUSTRIES? IS GOS THINKING ABOUT ANY SPECIAL STIMULUS TO INVESTMENT? LIMITED OFFICIAL USE

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7. THERE SEEMS TO BE TRADE-OFF BETWEEN MONEY SUPPLY (M1) GROWTH AND APPRECIATION OF SWISS FRANC. MOST OF MONETARY-BASE INCREASE HAS BEEN RESULT OF SALES OF SWISS FRANCS ON FOREIGN EXCHANGE MARKETS. WAS OVERSHOOTING M1 TARGET IN 1976 APPROPRIATE IN VIEW OF PRESSURES ON FRANC? IS 5 PERCENT TARGET FOR M1 GROWTH IN 1977 CONSISTENT WITH ACCEPTABLE RATE OF APPRECIATION OF FRANC?

8. DO SWISS HAVE ANY PLANS TO RELAX CONTROLS REGARDING CAPITAL INFLOWS? VANCE

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Sent Date: 08-Feb-1977 12:00:00 am
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Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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